

MEDICAID

Managed Care Strategies for the North Carolina Medicaid Program

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. North Carolina lags behind other states in its development of managed care programs.	<ul style="list-style-type: none"> Expand Carolina Access statewide and introduce elements of risk-sharing. 	<ul style="list-style-type: none"> More appealing to physicians who are generally adverse to risk. 	9.9
2. Carolina Access is a positive step toward managed care.	<ul style="list-style-type: none"> Develop a statewide managed care program by contracting with existing provider networks. 	<ul style="list-style-type: none"> Based on other states' experiences, North Carolina would experience an initial expenditure of \$800,000 in the first year of implementation. However, by year 3, actual state savings would be approximately \$47.9 million. The estimated savings over the 10-year period would be \$2.5 billion. 	9.10
3. Managed care programs offer several advantages over traditional fee-for-service arrangements.	<ul style="list-style-type: none"> Evaluate the feasibility of statewide managed care programs for certain populations and certain regions of the State. 	<ul style="list-style-type: none"> Provides guidance as managed care options are developed and evaluated. 	9.11

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. Existing information systems are ill-prepared to support cost-containment efforts.	<ul style="list-style-type: none"> ▪ The General Assembly should establish an office for health care within the Governor's Office and empower the office as the central agent for coordination and design of the North Carolina health care strategy. 	<ul style="list-style-type: none"> ▪ Savings accruing from additional administrative activities will offset costs within the first full year of operation. 	10.18
2. Postpayment claims databases and consolidated reporting are limited or nonexistent within most agencies; cross-program sharing of postpayment data is nonexistent.	<ul style="list-style-type: none"> ▪ The General Assembly should consolidate the administration of State employee workers' compensation claims and reform the funding approach. 	<ul style="list-style-type: none"> ▪ Administrative consolidation could reduce personnel requirements by 10 positions and create savings from uniform application of policy. ▪ First year's cost savings would total approximately \$1.1 million. Cost savings over 10 years total \$13.9 million. 	10.18
3. The Medicaid Management Information System (MMIS), which is contracted by the Division of Medical Assistance, is the most sophisticated of the State's claims systems and it is a candidate for replacement.	<ul style="list-style-type: none"> ▪ Initiate planning for the replacement of the current (MMIS). 	<ul style="list-style-type: none"> ▪ Provides North Carolina with an opportunity to define and promote a strategy consistent with State political and social objectives. 	10.18

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
<p>1. North Carolina has an inadequate plan for statewide economic development.</p>	<ul style="list-style-type: none"> ▪ The General Assembly should revise the general statutes to require specifically that a statewide plan for economic development be developed and updated on a regular basis. ▪ Establish an Economic Development Council to replace the current Economic Development Board. 	<ul style="list-style-type: none"> ▪ Provides the many agencies involved in economic development with a focused direction for programs and priorities. ▪ Provides the General Assembly with guidelines for where most effectively to focus appropriations. ▪ Provides the agencies and the General Assembly with performance indicators against which to monitor agencies' performance, and reappropriate funds accordingly. 	<p>1.11</p>
<p>2. North Carolina's key economic development players do not believe North Carolina has an adequate plan for statewide economic development.</p> <p>3. Some economic development organizations in North Carolina have developed plans, but these plans do not represent an integrated approach.</p>	<ul style="list-style-type: none"> ▪ Establish a small planning unit in the Department of Commerce to support the Department's ongoing role in planning. 	<ul style="list-style-type: none"> ▪ Provides assurance that various agencies involved in economic development are not conducting similar programs or serving at cross purposes with one another. ▪ Provides greater focus to economic development and should significantly enhance State revenues through increases to the tax base. 	<p>1.13</p>

ECONOMIC DEVELOPMENT

Coordination and Organization of ECD Programs

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. State economic development activity is highly fragmented, and the State lacks an integrated approach to economic development.	<ul style="list-style-type: none"> Assign responsibility for recommending appropriate economic development appropriations to the Economic Development Council associated with Commerce. 	<ul style="list-style-type: none"> Ensures an integrated approach, while also leveraging the unique strengths of the key economic development players. 	2.8
2. Each key economic development player makes a unique contribution to the State's overall economic development program.	<ul style="list-style-type: none"> Assign key responsibilities for each major area of economic activity to a specific agency. Reallocate the Science and Technology Research component of the Department of Administration to Commerce. The UNC System should determine the appropriate role for Extension Services within its overall economic strategy. 	<ul style="list-style-type: none"> Allows departments to become responsible for achieving outcomes associated with their assigned strategies. Maximizes the return on North Carolina's considerable investment in economic development. Puts responsibility for economic development components and expenditures under a department whose major thrust is economic development. Enables the Extension Service to take a more active role in economic development. 	2.8
3. Commerce has excess levels of management, excessively narrow spans of control, and unnecessary positions in some units.	<ul style="list-style-type: none"> Restructure the Department of Commerce. 	<ul style="list-style-type: none"> Reduces duplication and increases efficiency in the Department of Commerce and other departments. 	2.9



ECONOMIC DEVELOPMENT
Coordination and Organization of ECD Programs

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
4. The results of State economic development activities are not effectively monitored and evaluated.	<ul style="list-style-type: none">▪ Base budget allocations on outcomes as measured by performance indicators, where appropriate.	<ul style="list-style-type: none">▪ Allows the agencies to understand the outcomes expected of them by the State.▪ Allows the General Assembly to do more systematic evaluation of the agencies for more objective appropriation of funds.	2.9

ECONOMIC DEVELOPMENT

Role of Special Purpose Nonprofits

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
<p>1. The use of nonprofits as a mechanism for State-initiated economic development is unusual, but not unique among southeastern states.</p>	<ul style="list-style-type: none"> Continue to use nonprofits to deliver economic development services. 	<ul style="list-style-type: none"> Allows the State to leverage private sector investments that exceed the public investment many times over. Allows nonprofits to be flexible, innovative, and entrepreneurial in their investments, programs, and strategies. Allows nonprofits to conduct objective and nonpartisan policy-oriented research. 	<p>3.10</p>
<p>2. Each of the special purpose nonprofits has demonstrated success in its respective area of focus.</p>	<ul style="list-style-type: none"> A goal of self-sufficiency should be established for the Center for Microelectronics Systems Technology of MCNC and for the Biotechnology Center. 	<ul style="list-style-type: none"> Achieving self-sufficiency yields savings of \$13 million in FY2000 and thereafter, and savings of approximately \$4 million in FY 1998 and \$8 million in 1999 (assuming a phase-in reduction of about \$4 million annually after FY 1997). 	<p>3.11</p>
<p>3. Few mechanisms currently exist to ensure the accountability of the special purpose nonprofits to the State.</p>	<ul style="list-style-type: none"> In its recommended statewide economic development plan, the State should explicitly address the appropriate role for nonprofit organizations in economic development. The State should develop performance-based contracts with the nonprofits. 	<ul style="list-style-type: none"> Establishes a statewide plan which encompasses all of the activities of economic development. Provides an effective and appropriate accountability mechanism. 	<p>3.12</p>

ECONOMIC DEVELOPMENT

Regional Office Organization and Staffing

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
<p>1. The regional office systems of the Business and Industry Division (BID) and the Division of Community Assistance (DCA) of Commerce are inconsistent and not coordinated.</p>	<ul style="list-style-type: none"> ▪ Merge the 9 regional offices of BID and the 7 regional offices of DCA into 3 consolidated regional offices of Commerce. 	<ul style="list-style-type: none"> ▪ Consolidation of the regional offices could produce personnel reductions of between 3 and 6 support staff and between 8 and 10 professionals. The potential staff reductions represent savings of salary and fringe cost in the range of \$456,000 and \$624,000. ▪ Consolidation of the divisions and redefinition of their regional functions will provide a logical framework for reassignment of counties and personnel to regional offices. 	<p style="text-align: center;">4.8</p>
<p>2. Development needs and resources vary widely around the State, with greatest needs and least resources in rural areas.</p>	<ul style="list-style-type: none"> ▪ Assign top priority of the regional offices on community development and retention and expansion activity in rural areas. 	<ul style="list-style-type: none"> ▪ Assigns more staff resources to promote appropriate economic growth to poorer, less developed counties. 	<p style="text-align: center;">4.10</p>

EDUCATION

Governance Structure for Public Education in North Carolina

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
<p>1. There is split leadership and authority in the public education governance structure.</p>	<ul style="list-style-type: none"> ▪ The State Board of Education should serve as the single focus for policy making in the State subject to laws enacted by the General Assembly. ▪ The State Board of Education appointment process and structure should be modified to make the Board more responsive and accountable to the changing state needs. ▪ The General Assembly should consider structural changes including the appointment of a State Superintendent who reports and is accountable to the State Board of Education. 	<ul style="list-style-type: none"> ▪ The General Assembly, the Governor and the public will be able to define and place accountability for performance in public education. ▪ The State Board will be able to hold the Department of Public Instruction accountable for its performance in implementing the policies set forth by the State Board. ▪ The State will have enhanced ability to define the mission for public education in North Carolina. ▪ This will clarify reporting relationships and improve accountability between the Board and the Superintendent. ▪ This will allow the Board to concentrate on and make informed decisions on educational policy issues. ▪ This will broaden the voice for educational issues by increasing participation of the General Assembly, while still allowing for participation of the Governor and the public. 	<p>1.4</p>

EDUCATION

Organization and Staffing of the Department of Public Instruction

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
<ol style="list-style-type: none"> 1. There are narrow spans of control in parts of DPI's management structure. 2. Positions throughout DPI appear to be underutilized and can be consolidated. 3. Functional groups in DPI are not efficiently organized. 4. DPI has too many clerical positions. 	<ul style="list-style-type: none"> ▪ DPI should eliminate excess layers of management to reduce narrow spans of control in the management structure. ▪ Eliminate 13.5 underutilized positions and transfer their duties to other positions. ▪ DPI should be reorganized from eight major areas to three major areas. <ul style="list-style-type: none"> ▪ The number of areas reporting directly to the Deputy Superintendant should be reduced. ▪ DPI should adopt a 1:5 clerical to professional position ratio. 	<ul style="list-style-type: none"> ▪ The spans of control of some positions will expand from two or three employees to six to eight employees. ▪ 123 positions will be eliminated. ▪ Annual savings of \$6.12 million will be realized. 	2.4

EDUCATION

Organization and Staffing of the Department of Public Instruction

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
5. Teacher Certification is processing applications that should not be processed.	<ul style="list-style-type: none"> Applications should only be processed for individuals that have jobs or job offers from North Carolina schools. 	<ul style="list-style-type: none"> Workload will be reduced. 	2.9
6. Productivity in Teacher Certification has dropped.	<ul style="list-style-type: none"> The current Teacher Certification system should be modified to improve information needed by staff management. 	<ul style="list-style-type: none"> Utilization of employee time will be improved. The information generated from the system may also serve as basis for justifying additional staffing reductions in this group. 	2.9
7. DPI has a weak internal audit function.	<ul style="list-style-type: none"> DPI should strengthen its internal audit function. 	<ul style="list-style-type: none"> The use of outside organizations to provide training for principals will enable Personnel Services to handle varying demands for principal training without increase or decrease staff. The investigative aspect of internal audits can be increased to include performance reviews of different areas within DPI and address performance concerns. 	2.10

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. Course offerings do not reflect the priorities that the State has set in educational reform.	<ul style="list-style-type: none"> DPI should develop a strategic plan for teacher development that identifies which types of training at what level are necessary to achieve the desired changes in teacher activities. 	<ul style="list-style-type: none"> It will be easier to institutionalize the improvements mandated by state programs. The State will be able to set priorities in training resources and allocate the resources necessary to achieve results. 	3.4
2. The current staff development activities provided by DPI and the individual local districts do not meet the needs of many small districts.	<ul style="list-style-type: none"> An advisory group should be established to provide recommendations regarding staff development needs to the State Superintendent. 	<ul style="list-style-type: none"> Teacher involvement in creating their own development plans will enhance implementation. 	3.5
3. There is a lack of coordination in staff training offered by DPI.	<ul style="list-style-type: none"> The responsibility for the coordination of teacher development should be consolidated in one division in DPI. 	<ul style="list-style-type: none"> This will result in less duplication in training experiences and increased availability of training for small districts. 	3.5
4. Over one third of staff development is spent on travel and related expenses.	<ul style="list-style-type: none"> Long distance learning technologies should be used to reduce overall costs. 	<ul style="list-style-type: none"> A single office can establish and continually evaluate standards for the delivery of staff development from all sources, within DPI, on local campuses or by outside sources such as universities. 	3.5
5. The State's annual leave policy for teachers serves as a barrier to enhanced staff development.	<ul style="list-style-type: none"> Teachers should be rewarded for taking courses in their content area. 	<ul style="list-style-type: none"> This will increase teacher development outside of work hours but as part of their normal work and at minimal cost. 	3.5

EDUCATION

Assistance and Support to Local School Districts

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. Services delivered to individual school districts by DPI employees are fragmented.	<ul style="list-style-type: none"> Employees that deliver services to individual school districts should be located at the TACs. Assistance activities should be customer-driven services that school districts purchase from DPI or other organizations. Coordination and monitoring activities should continue to be provided free of charge to the school districts. 	<ul style="list-style-type: none"> More effective use of over \$5 million annually in DPI resources. By moving implementation and assistance activities to the TACs, employees providing these services will be physically closer to the school districts they help. Therefore, those employees can be more familiar with and responsive to the individual school districts. By making DPI's assistance activities self supporting, it will be in DPI's self interest to make their services responsive to school district needs and requests. 	4.4

EDUCATION

Funding Initiatives in Public Education

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
<p>1. The State education reform initiatives as demonstrated in the BEP and Senate Bill 2 have had a positive impact on education in North Carolina.</p>	<ul style="list-style-type: none"> Continue to fund the BEP as scheduled in its primary focus, teachers and professional instructional support personnel. Redirect the remaining balance to address prioritized needs. 	<ul style="list-style-type: none"> BEP will be enabled to: <ul style="list-style-type: none"> Address instructional and administrative needs Increase funding for small and low income school districts Address gaps in the current public education program such as the need for comprehensive preschool programs. Address new educational reforms that the General Assembly may wish to implement such as school linked collaborative services. 	<p>5.4</p>
<p>2. The General Assembly needs to better measure the results of its investment in public education. The accountability measures established in Senate Bill 2 do not yet link performance to funding.</p>	<ul style="list-style-type: none"> Make school districts accountable for performance by linking funding to performance. 	<ul style="list-style-type: none"> Increase the performance levels of school districts 	<p>5.5</p>

EDUCATION

Funding Initiatives in Public Education

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
<p>3. Funding formulas are too controlling and prescriptive to allow local school districts to effectively manage their operations. The current waiver process does not provide the necessary flexibility.</p> <p>4. The performance expectations established by Senate Bill 2 and its amendments are not linked effectively with State funding formulas.</p> <p>5. The State's basic funding formula does not factor in local ability to pay nor the barriers faced by small school districts in providing a complete core curriculum.</p> <p>6. Current practices do not promote efficiency.</p>	<ul style="list-style-type: none"> ▪ Efficiency in school district and school operations can be improved by simplifying funding formulas and empowering the school districts to manage for results. ▪ Combine major non-teaching funding categories such as teaching assistants and custodians in a general operating fund. ▪ Contract out services in communities where private sector resources are available, or by working cooperatively with other school districts to deliver shared services. ▪ The State can fund model programs and reward successful operations with incentive awards. 	<ul style="list-style-type: none"> ▪ Increases the flexibility of almost \$300 million of state funds. A five percent improvement will save \$15 million annually. ▪ If only 50 percent of the small districts (under 10,000 students) in the state combined the delivery of their maintenance services and shared one maintenance supervisor position between two adjacent districts, the districts and the State could save almost \$1.2 million annually. ▪ Provides incentives to the school districts to achieve savings. 	5.7

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. The North Carolina education reform initiatives have raised educational expectations and have increased accountability for performance.	<ul style="list-style-type: none"> ▪ The accreditation and accountability process should be stabilized for the proposed three year cycle. 	<ul style="list-style-type: none"> ▪ Minimized revisions during this period will allow local school systems to adapt to the new changes. 	6.5
2. LEA personnel cannot stay current with the most current requirements. 3. The differentiated pay program has not had a positive impact on teacher performance. 4. It is too early to evaluate the results of Senate Bill 2 accountability reforms.	<ul style="list-style-type: none"> ▪ The Performance Based Accountability Program should be made mandatory. 	<ul style="list-style-type: none"> ▪ This will reduce future administrative complications. 	6.5
5. End-of-course and end-of-grade examinations represent significant progress towards the goal of accountability for performance.	<ul style="list-style-type: none"> ▪ The minimum instructional standards set out in the BEP must be raised to achieve the level of educational performance desired in North Carolina. ▪ Assistance must be provided to schools to help the local school systems implement PBAP and the end-of-course and end-of-grade assessments. 	<ul style="list-style-type: none"> ▪ This will result in higher test scores and other performance indicators. ▪ This assistance will help the local school systems achieve the desired results and accountability. 	6.5

EDUCATION

Tenure for Public Education Administrators

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. Inclusion of administrators in the current tenure law is an obstacle to the local and state superintendents' responsibility to provide high quality leadership appropriate for the district.	<ul style="list-style-type: none"> North Carolina should eliminate tenure for public school administrators. The lateral entry process for administrators should be reviewed as part of the implementation of the elimination of administrator tenure. 	<ul style="list-style-type: none"> New appointments would be covered by administrative tenure. By making the law effective only for those appointed after a designated date, current administrators who remain in their current positions would be "grandfathered." North Carolina will be able to periodically import staff in order to encourage fresh ideas and approaches. 	7.3
2. The loss of tenure does not preclude a provision of due process to protect administrators from arbitrary or capricious action by a superior.	<ul style="list-style-type: none"> Current tenure laws should be replaced by new laws and regulations which provide protection for administrators from arbitrary or capricious action by a supervisor. 	<ul style="list-style-type: none"> Employees can still feel they have job security through the use of multi-year contracts which guarantee employment, salary and sufficient notification regarding assignments for the contract period. 	7.4
3. Based on education reform reports in North Carolina over the past ten years, there is broad support for reversing tenure for administrators.	<ul style="list-style-type: none"> Procedures and policies should be developed to define the contract process as well as the process for reassignment and dismissal of administrators. 	<ul style="list-style-type: none"> This will result in ensuring sufficient flexibility to attract able candidates. 	7.4

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
<ol style="list-style-type: none"> 1. Planning procedures have proven effective in preventing excessive proliferation of new programs. <ul style="list-style-type: none"> ▪ For example, approximately four programs have been eliminated for every five that have been implemented. 2. Many peer states conduct some form of systemwide program review of existing programs on a regular schedule. 3. Despite delegation of governing powers to the Board of Governors, the General Assembly and the Governor's Office have occasionally played a role in adding new programs or preventing elimination of existing programs. 	<ul style="list-style-type: none"> ▪ The General Assembly should direct the Board of Governors to conduct a one-time review of all degree programs ▪ The General Assembly should also mandate that productivity reviews of all program areas be part of the UNC biennial planning process. 	<ul style="list-style-type: none"> ▪ This will identify those programs that are of low productivity, low priority, or redundant so that they can be eliminated. 	8.4

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
<p>4. Most of the current incentives for the use and expansion of CONCERT are incentives to the "receiving" institution.</p> <p>5. Current policies relating to reimbursement and funding create disincentives, especially for provider institutions, that impede expansion of graduate centers and CONCERT.</p>	<ul style="list-style-type: none"> ▪ The General Assembly should support continued and expanded use of graduate centers, CONCERT, and cooperative degree programs and by enacting funding or other changes that will eliminate barriers and disincentives to these alternative delivery mechanisms. ▪ Maintain and strengthen divisions of effort between the four institutions that offer doctoral programs, but especially between UNC-CH and NCSU. 	<ul style="list-style-type: none"> ▪ The result is improved access to instruction. ▪ Eliminates unnecessary and expensive duplication in programs at the doctoral level. 	<p>8.5</p>